



# City of Rockville FY 2007 Budget In Brief

On April 3, City Manager Scott Ullery presented the proposed FY 2007 operating budget and Capital Improvements Program to the Mayor and Council. This Budget in Brief provides an overview of the proposed budget.

## From the City Manager: *The FY 2007 Proposed Budget*

It is a privilege to present to you the recommended city manager's budget for the City of Rockville for Fiscal Year 2007, which begins July 1, 2006.

The proposed operating budget will maintain Rockville's excellent basic services at their current levels, provide services to the new Rockville Town Center and restructure the City's water and sewer funds. The proposed FY07 Capital Improvements Program (CIP) budget includes funding for projects needed for the upkeep of our city, as well as noteworthy enhancements to our community.

The proposed FY07 budget for all funds is \$87.4 million, an overall 1.9 percent decrease from the FY06 adopted budget, which included a \$12.3 million repayment of short-term debt. Adjusting for that repayment, the FY07 budget represents a 13.8 percent increase over the FY06 adopted budget. The General Fund, which supports the city's day-to-day operations, will grow to \$57.4 million, a 12.7 percent increase over the FY06 adopted budget.

Much of the increase in General Fund expenses will service the debt for Town Center public improvements and the three new parking garages being constructed in the revitalized downtown. The City anticipates this investment in the heart of Rockville will begin the creation of a new vibrant downtown and serve as a catalyst for the eventual redevelopment of the entire Town Center. General Fund operating expenditures will rise by only 3.5 percent.

We are pleased to present a balanced budget without any increase in the property tax rate, which remains at 32.2 cents per hundred dollars of assessed value for real property. Rising property assessments place a burden on the City's lowest income households. For that reason, this budget proposes to continue the Homeowner's Property Tax Credit program, but at an enhanced level, to provide greater tax relief to low-income households.

The proposed FY07 Capital Improvements Program of \$13.9 million will fund construction of the Thomas Farm Community Center, initial phases of Mattie J.T. Stepanek Park and new meeting and fitness rooms at the Rockville Municipal Swim Center. It also will fund ongoing projects such as street resurfacing, curb/gutter/sidewalk replacements and sewer line upgrades.

The recommended budget also reorganizes the City's Department of Community Services. The new division, under the Department of Recreation and Parks, will deliver services throughout the community to reach a greater number of residents.

Another important change is a restructuring of the City's water and sewer rates. The change is recommended in keeping with the Mayor and Council's direction to adopt tiered water rates based on water use and add a ready-to-serve charge. The effect of this new structure will be a rate reduction for many residential water customers. Also proposed is a \$1.50 increase in the refuse rate (from \$29.50 to \$31 per month).

The budget includes a new performance-based compensation system for administrative employees, which the Mayor and Council adopted in December 2005. Union employees and members of the Police Fraternal Order of Police organization will continue under the merit increment system.

The budget also continues a plan, begun last year, that adds one new officer to the City Police force each year for five years. The budget also funds a continuing upgrade of the city's financial system.

We have taken measures to reduce energy and fuel consumption. These areas of sharply rising costs are creating strain for public and private budgets worldwide. Rockville's FY07 budget includes approximately \$110,000 more than FY06 for heating fuel; \$128,000 more than in FY06 for electricity; and \$122,000 more than FY06 for gasoline and oil.

Overseas demand for construction materials has caused shortages nationally, resulting in sharp increases in prices. These increases have impacted virtually every building project in the City.

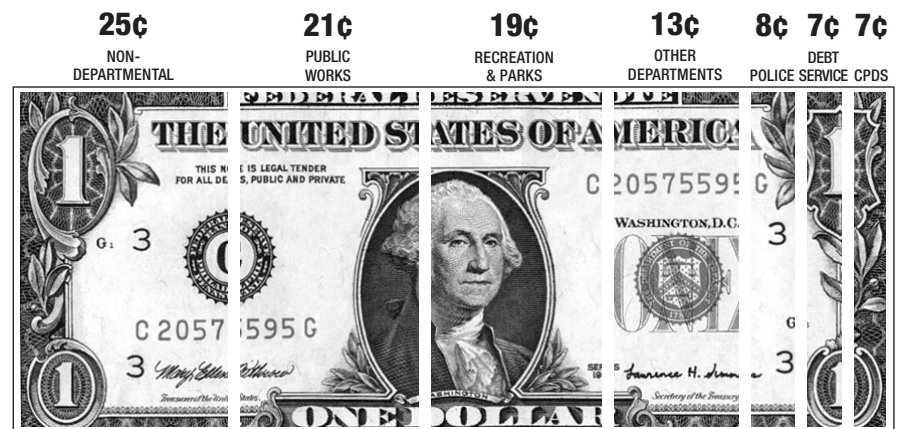
There are other changes ahead. The opening of Phase I of the redeveloped Rockville Town Center will greatly enhance our downtown—and create a demand for more and different types of services. Some neighborhoods are changing as nearby development influences communities that have seen little change for decades. And our City continues to become more diverse, with increasing numbers of our residents speaking a language other than English as their first language.

Property value assessments and new development are principal drivers of City revenues. For several years, these have increased significantly, providing needed revenue to meet the increasing demand for, and higher costs of, basic municipal services and public facilities. The rate of new private development is showing signs of slowing. As the City builds out, less land will be available for new development, and that development will likely tend toward denser urban redevelopment.

We must be ready for all of these changes, and the FY07 proposed budget is aimed toward doing just that. It recognizes the need to maintain a high quality of life for which our city is known, lends assistance to those most in need and establishes the groundwork for Rockville's continued success.

  
Scott Ullery  
City Manager

## Making 'Cents' of The City's Dollar



Illustrates how, by department, approximately \$1 of taxpayers' money is allocated.

## Total Proposed Budget Highlights

- The proposed property tax rate remains unchanged at \$.322 per \$100 of assessed value.
- The proposed FY 2007 operating budget is \$87.4 million, a 1.9 percent decrease from the FY 2006 Adopted Budget. The FY 2006 Adopted Budget included \$12.3 million to pay short-term debt related to the Town Center project. Putting aside this one-time payment in FY 2006, the FY 2007 budget of \$87.4 million represents a 13.8 percent increase from last year's adopted budget.
- General Fund proposed revenue in FY 2007 will exceed the revenue in the FY 2006 adopted budget by \$6.5 million. The major portion of the General Fund revenue growth is a 16.5 percent increase in revenue from property taxes and 14.1 percent increase in revenue from the City's share of state income tax.
- The proposed Capital Improvements Program (CIP) includes \$3.4 million in funding to be authorized expenditure in FY 2007.
- In FY 2007, the Capital Projects Fund will issue about \$3.3 million in bonds to finance projects. The Water Facility Fund will issue approximately \$1 million in bonds to finance water meter replacements and system upgrades.
- The Sewer Fund will issue about \$3.4 million in bonds in FY 2007 to finance improvements at the Blue Plains Wastewater Treatment Plant.
- The Refuse Fund will issue approximately \$325,000 in bonds to fund vehicle purchases.
- For the first time, water rates will be tied to usage. The rate for the first 12,000 gallons per quarter will be \$1.62 per thousand gallons; the rate for the next 12,000 gallons will be \$2.33 per thousand gallons; and the rate for usage beyond 24,000 gallons per quarter will be \$2.50 per thousand gallons. In addition, each business or household will pay a "ready-to-serve" charge each quarter for water and sewer service based on the size of the property's water meter. This charge will be \$9 for most households and proceeds will be split equally between water and sewer funds. Even with the "ready-to-serve" charge, many Rockville households will experience a slight reduction in their water bills in FY07 because the FY06 water rate is \$2.26 per thousand gallons regardless of usage.
- The proposed Sewer rate is \$3.63 per 1,000 gallons, which is a reduction of 12 cents from the FY06 rate of \$3.75. In addition, a "ready-to-serve" charge will be charged to all customers based on meter size. This is the same fee mentioned above, and it will be divided equally between the two funds. In sum, the average Rockville household would pay \$279 per year for sewer service.
- The proposed Refuse rate will increase by \$1.50 per month. The proposed FY 2007 rate of \$31 per month is a 5.1 percent increase from FY 2006.

## Budget Available Online

The complete proposed FY07 budget is available online at [www.rockville.md.gov/government/budget](http://www.rockville.md.gov/government/budget). Additionally, copies of the budget are available at Rockville Library, Twinbrook Library and City Hall. The Mayor and Council will hold public worksessions related to the budget, and citizens are invited to attend. All meetings start at 7 p.m. at City Hall.

## FY 2007 Budget Schedule

- April 24: Budget public hearing #1
- May 1: Budget public hearing #2
- May 15: Budget worksession #1
- May 22: Budget worksession #2
- June 5: Planned adoption of budget and taxes and utility rates



**Increase Expected for 2007 Homeowners’  
Property Tax Credit Participants**

*Low-Income Homeowners Can Apply Now  
For 2007 City and State Programs*

Low-income Rockville residents who own homes may receive increased tax credits through changes in Maryland’s property tax credit program. The City also is considering changes to its program to be able to assist even more homeowners in FY 2007.

The Rockville Homeowners’ Property Tax Credit program, first approved in the FY 2006 budget, supplements the State of Maryland Homeowners’ Property Tax Credit program that caps property tax liability depending on the household’s ability to pay.

A household’s ability to pay is determined by looking at gross household income and other factors.

For example, under the FY 2006 program, a retiree with an income of \$15,000 living in a home assessed at \$300,000 would normally pay \$966 for city property tax. But, after the state and city homeowners’ tax credits, the city property tax bill would be halved, to just \$483.

For the first time in FY06, Rockville homeowners who

qualified for the state program automatically received a City credit in addition to the state credit up to the amount of the household’s city tax liability. More than 350 Rockville households that signed up for the new tax credit program received reimbursement checks from the City in 2006.

In FY07 even more homeowners will be eligible to take advantage of the program. Prior to FY07, the state tax credit program only applied to the first \$150,000 of the property’s assessed value. In FY07, under the new state plan, the credit will apply to the first \$300,000 of the property’s assessed value.

The City is considering similar changes to expand its portion of the program this year. Specific details about changes in the City’s program will be announced in future City publications, such as *Rockville Reports*, on The Rockville Channel (cable channel 11) and on the City Web site at [www.rockvillemd.gov](http://www.rockvillemd.gov).

The City’s tax credit plan is designed to provide additional relief to Rockville homeowners who most need help. By working in conjunction with the state’s tax credit plan, residents need to fill out only one application.

An application is routinely sent to homeowners who were recipients of a state tax credit in the previous year, but applicants must reapply for the program each year. To get more information on how to apply for the state and Rockville tax credit programs, call the City’s Department of Finance at 240-314-8400 or the Maryland Department of Assessments and Taxation at (toll free) 1-800-944-7403. Detailed information also is available at the State Department of Assessments Web site at [www.dat.state.md.us](http://www.dat.state.md.us).

“The tax credit  
plan is designed to  
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— Dominic Del Pozzo,  
Budget Officer

# Highlights of Rockville’s FY 2007 Capital Improvements Program

The Capital Improvements Program (CIP) is a projection of Rockville’s capital investment plan over a five-year period.

Each year, the CIP is reviewed in the context of ongoing City, Montgomery County, State of Maryland and federal planning programs and policies—as well as the City’s Master Plan. Projects are shaped by the input of civic associations, citizen advisory groups and individual residents.

The CIP is a fiscal and planning device that allows the City to monitor all capital project costs, funding sources, departmental responsibilities and timing schedules. Capital investments involve major City projects that normally have long useful lives.

The proposed FY 2007 CIP budget presented to the Mayor and Council includes \$13.9 to invest in, and maintain, Rockville’s infrastructure.

The public can comment on the CIP and operating budgets at public hearings on April 24 and May 1.

The bulk of CIP funds each year are devoted to improvements in Rockville’s infrastructure—projects important to helping maintain the quality of life to which Rockville residents have become accustomed. Other funds are directed toward major projects.

In addition to maintaining and improving the City’s general infrastructure, four notable CIP projects scheduled for FY07 are highlighted below. These projects include construction of the Thomas Farm Community Center west of I-270; continuing work on Mattie J. T. Stepanek Park in the King Farm neighborhood; upgrades to the Rockville Municipal Swim Center; and continuation of the City’s asphalt maintenance program.

## General Infrastructure Improvements

Each year, Rockville’s long-term planning includes improve-

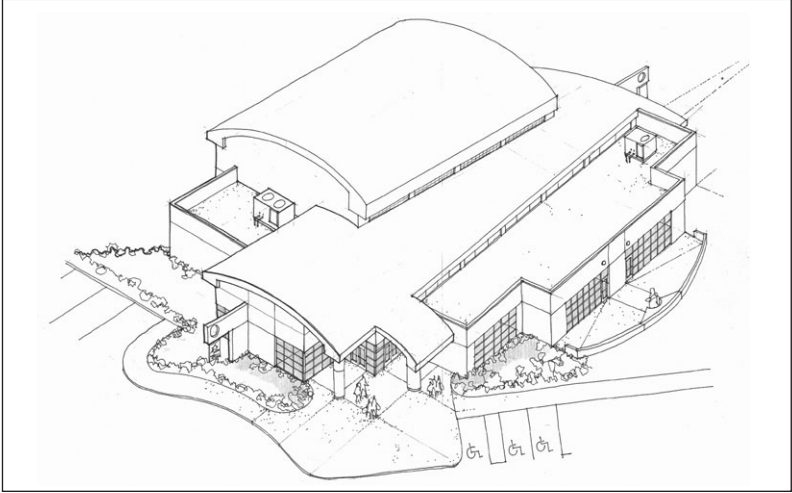


Sidewalk repair is one part of the City’s general infrastructure improvements.

ments to maintain the City’s infrastructure. Although these improvements are not as recognizable as a new community building, they are very important to the City and its residents.

CIP general infrastructure improvements often include the building or repair of roads and major repairs and upgrades to facilities that are not considered to be recurring maintenance;

include improvements at many neighborhood parks, including pathways and hard surface basketball and tennis courts, playground replacements and ballfield improvements. Other planned improvements include parking and other upgrades to the Rockville Senior Center and Civic Center Complex; maintenance of road and park bridges; repair and replacement of concrete street



A view of the future Thomas Farm Community Center.

planning, engineering study or design work relating to a major project; or a significant one-time investment in tangible goods, the benefit of which will accrue over a multi-year period.

CIP funded projects that will be ongoing in the coming year

components such as curbs and gutters, sidewalks and driveway aprons; addition of new traffic signals and sidewalks to promote pedestrian safety; improvements to existing street lighting systems; programs to reduce speeding in residential neighborhoods and to

improve traffic flow throughout the city; improvements to the city’s stormwater management system; and ongoing repairs to the city sewer system.

Funding also will address upgrades to the City’s financial system and replacement of residential and commercial water meters with radio-read meters as part of a four-year project.

CIP work in the coming year also will include completion of a water booster station along Glen Mill Road that will increase the flow of water in Rockville.

The CIP in FY07 will include \$2.89 million that represents the City’s share of costs to upgrade and enhance the wastewater treatment and solids handling facilities at the Blue Plains Wastewater Treatment Plant. All of Rockville’s wastewater is conveyed to Blue Plains for treatment.

## Thomas Farm Community Center

The Thomas Farm Community Center, to be built in the Falls Grove area, will be the first Rockville community recreation center built west of Interstate 270.

Plans call for a gymnasium, two multi-purpose rooms, a game room, a fitness center, a kitchen-



The Rockville Swim Center fitness room will be renovated.

ette, locker rooms, offices, storage and a parking lot.

In addition to drop-in use, programs will be offered to serve residents of all ages, featuring sports, fitness, dance, life skills, afterschool activities and more. Senior citizen activities will be emphasized during weekday, daytime hours.

“Green building” principles will be utilized in constructing the building. Two or three geothermal heat pump wells are being dug to test for thermal conductivity. If the results are positive, a geothermal energy system will be used to efficiently heat and cool the facility.

Current project cost is esti-

mated to be \$4,664,858. Maryland Program Open Space funds will contribute \$1.5 million to this cost. During its 2006 session, the Maryland General Assembly approved a \$250,000 bond bill toward the funding.

The site was selected as part of the approved Comprehensive Planned Development for Falls Grove. The project is expected to be completed in late 2007.

For more information, details and updates visit [www.rockvillemd.gov/cip/thomasfarmcc.htm](http://www.rockvillemd.gov/cip/thomasfarmcc.htm).

## Mattie J. T. Stepanek Park

The second major neighborhood park in the King Farm Park Master Plan, Mattie J. T. Stepanek Park will be located in the northern section of King Farm.

The park is named for the late Mattie J. T. Stepanek, a King Farm resident who died of a rare neuromuscular disease in 2004 shortly before his 14th birthday. Mattie’s books of poetry, and his crusade for world peace, earned him international recognition.

Grading for the park began this year. When completed, it will include a large playground, a dog park, lighted basketball and tennis courts, a fitness cluster, picnic area, pathways, wooded

areas, landscaping, lighted athletic fields, passive areas and parking. The park also will feature a statue of Mattie Stepanek seated at a chess table accompanied by his service dog, Micah.

The dog park will be the first in Rockville. The lighted youth playing fields will host the practices and games of the Rockville Football League.

The current project cost is \$3,311,560. Maryland’s Program Open Space will contribute \$2.1 million to the cost. Additional funding will come in the form of a federal grant of \$75,000 and a \$45,000 contribution from the developer of King Farm.

## Swim Center Meeting And Fitness Room

Rockville’s Municipal Swim Center, which is known as one of



Asphalt maintenance helps keep Rockville’s roads safe.

the premiere facilities of its type in the Washington area, will complete the design for a 3,000 square-foot addition.

Improvements will include a 1,500-square-foot meeting room/classroom and a fitness facility.

The meeting room will hold gatherings of up to 100 participants or 25 fitness class participants.

In addition, a fully equipped 1,500-square-foot fitness center capable of accommodating 25 people at one time will be built.

The project will include new bathroom facilities, additional

storage space and a reconfigured reception and lobby area.

The current project cost is \$1,530,866. Maryland’s Program Open Space will contribute \$200,000 to the cost. The improvements are expected to be completed in FY 2008.

## Roadways Asphalt Pavement Maintenance

The asphalt pavement maintenance project funds the resurfacing of City streets, including the removal of old pavement surfaces.

The program entails the resurfacing of approximately 10 percent of the City’s street inventory each year. This is done by placing an application of a thin layer (5/8-inch thick) of asphaltic concrete every 10 years. After multiple layers of resurfacing have been applied, streets must be

milled down to their base course and resurfaced to their original cross-section.

Funding typically allows for about two center lane miles per year of milling and about 15 center lane miles per year of resurfacing.

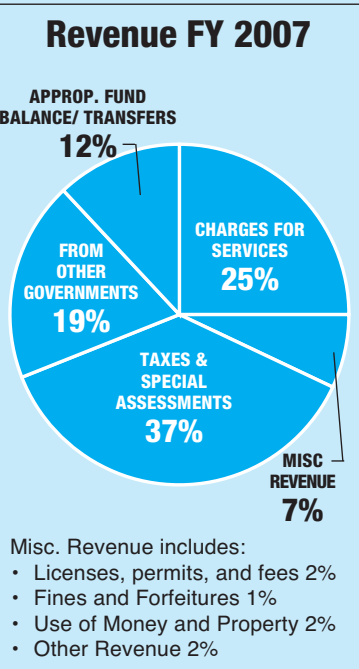
Funding has been increased to cover additional costs for rehabilitation of major roads such as West Gude Drive, Wootton Parkway and Maryland Avenue (from Jefferson Street to Potomac Valley Road). The current project cost is \$14,897,405.

## Tax-Supported Debt

- Debt outstanding as of June 30, 2005 ..... \$43.5 million
- Estimated debt issuance during FY 2006 ..... \$15 million
- Estimated debt issuance during FY 2007 ..... \$3.4 million

## Fund Balance Information

- The purpose of the General Fund unreserved balance (which may be thought of as the cumulative surplus of prior years) is to alleviate any unanticipated budget shortfalls and to ensure the orderly provision of services to residents. The City’s policy is to ensure that this balance is equal to at least 15 percent of revenue.
- The fund balance in the City’s enterprise funds, such as water, sewer and refuse, serve the same function. A substantial portion of the fund balance for these funds consists of the value of buildings and equipment.



## Comparison of Costs FY 2006 to FY 2007

ROCKVILLE PROPERTY TAX RATE: UNCHANGED  
FY 2006 = \$.322 per \$100 of assessed real property  
FY 2007 = \$.322 per \$100 of assessed real property

ROCKVILLE REFUSE: \$1.50/month increase  
ROCKVILLE FY 2006 = \$406/year\*  
ROCKVILLE FY 2007 = \$431/year\*  
Mont. Co. Non-Collection District FY 2007 = \$396/year\*  
Mont. Co. Collection District FY 2007 = \$347/year\*

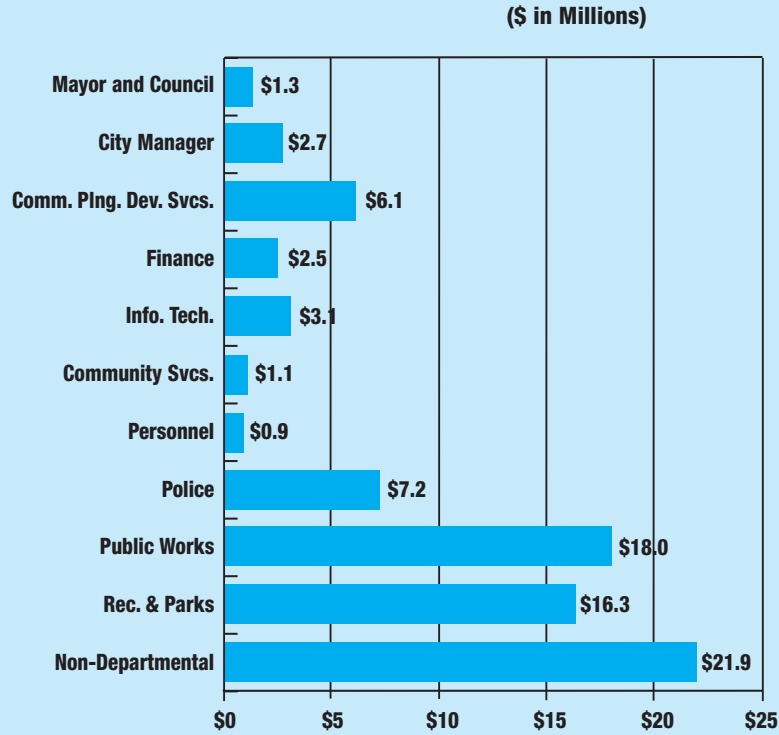
\*Montgomery County, Non-Collection District includes twice per week collection, no leaf vacuuming, no special pick-ups. Rockville includes twice per week collection, leaf vacuuming, and unlimited special pick-ups. Montgomery County, Collection District includes once per week collection, leaf vacuuming, and limited special pick-ups.

ROCKVILLE WATER RATE: Decrease or increase depending on usage.  
ROCKVILLE FY 2006 = \$2.26/1,000 gallons  
ROCKVILLE FY 2007 = 3-tiered rates depending on usage.

- First 12,000 gallons per quarter: \$1.62/1,000 gal.
  - Next 12,000 gallons per quarter: \$2.33/1,000 gal.
  - Over 24,000 gallons per quarter: \$2.50/1,000 gal.
- Plus a “ready-to-serve” charge per quarter for water and sewer service based on the size of meter. For most households, this would be about \$9 per quarter.  
WSSC FY 2007 = \$2.90/1,000 gallons

ROCKVILLE SEWER RATE: \$0.12 decrease  
ROCKVILLE FY 2006 = \$3.75/1,000 gallons  
ROCKVILLE FY 2007 = \$3.63/1,000 gallons  
WSSC FY 2007 = \$4.55/1,000 gallons

## All Fund Expenditures by Department



\*The Debt Service Fund receives transfers from other funds to pay off general obligation bonds. Since these transfers are already listed as Debt Service expenditures within originating funds, there is a double-counting effect when the Debt Service Fund records the same expenditures. For this reason, the Debt Service Fund is isolated. In FY 2006, the Fund paid off more than \$12 million in short-term debt that was used to support the Town Center project.

## Tax Talk: A Look at Real Property Assessments

No change is proposed to the City of Rockville property tax rate for FY 2007. However, some homeowners may see a rise in their tax bill. Why?

In Maryland, property values are reassessed every three years. All properties are assigned to one of the three reassessment groups, so neighbors may experience reassessments at different times.

An increase in the market value of homes in the area have led many homeowners to see an increase in the assessed value of their home. An increase in a home’s assessed value results in an increase in the tax bill.

However, there are two reasons why homeowners do not initially pay tax on the full assessed value of their home.

First, increases to the assessed value are phased in over a three-year period. So homeowners to do not feel the full impact right away.

Secondly, homeowners are protected by a cap that limits the increase in their tax bill any one year to 10 percent over the previous year’s bill.

The assessed value of all Rockville real property is estimated to be nearly \$9.2 billion by the end of FY 2007, an increase of 13.8 percent from the revised estimate for FY 2006. The City estimates that approximately 80 percent of the increase is attributable to reassessments and the remainder is the result of the addition of new residential and commercial properties.